

**REPORT OF THE AUDIT OF THE  
WASHINGTON COUNTY  
SHERIFF'S SETTLEMENT - 2007 TAXES**

**For the Period April 27, 2007 through April 21, 2008**

**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**WASHINGTON COUNTY**  
**SHERIFF'S SETTLEMENT - 2007 TAXES**

**For the Period April 27, 2007 through April 21, 2008**

Mountjoy & Bressler, LLP has completed the audit of the Sheriff's Settlement - 2007 Taxes for Washington County Sheriff for the period April 27, 2007 through April 21, 2008. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

The Sheriff collected taxes of \$4,334,229 for the districts for 2007 taxes, retaining commissions of \$147,899 to operate the Sheriff's office. The Sheriff distributed taxes of \$4,179,769 to the districts for 2007 Taxes.

**Report Comment:**

- The Sheriff's Office Lacks Adequate Segregation Of Duties

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable John A. Settles, Washington County Judge/Executive  
Honorable Tommy Bartley, Washington County Sheriff  
Members of the Washington County Fiscal Court

Independent Auditor's Report

We have audited the Washington County Sheriff's Settlement - 2007 Taxes for the period April 27, 2007 through April 21, 2008. This tax settlement is the responsibility of the Washington County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Washington County Sheriff's taxes charged, credited, and paid for the period April 27, 2007 through April 21, 2008, in conformity with the modified cash basis of accounting.

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable John A. Settles, Washington County Judge/Executive

Honorable Tommy Bartley, Washington County Sheriff

Members of the Washington County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Office Lacks Adequate Segregation Of Duties

Respectfully submitted,

Mountjoy & Bressler, LLP

June 29, 2009

WASHINGTON COUNTY  
TOMMY BARTLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2007 TAXES

For the Period April 27, 2007 through April 21, 2008

<u>Charges</u>	Special			
	<u>County Taxes</u>	<u>Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 307,089	\$ 685,517	\$ 2,137,004	\$ 522,144
Tangible Personal Property	37,469	79,583	260,322	230,388
Fire Protection	881			
Increases Through Exonerations	30	100	208	51
Franchise Taxes	16,633	35,028	113,393	
Limestone, Sand and Mineral Reserves	26	48	182	44
Penalties	2,064	4,683	14,324	3,593
Adjusted to Sheriff's Receipt	66	217	(12)	(10)
Gross Chargeable to Sheriff	<u>364,258</u>	<u>805,176</u>	<u>2,525,421</u>	<u>756,210</u>
<u>Credits</u>				
Exonerations	1,118	2,890	7,779	2,680
Discounts	5,125	11,304	35,545	10,630
Delinquents:				
Real Estate	3,356	7,359	23,328	5,694
Tangible Personal Property				28
Total Credits	<u>9,599</u>	<u>21,553</u>	<u>66,652</u>	<u>19,032</u>
Taxes Collected	354,659	783,623	2,458,769	737,178
Less: Commissions *	<u>15,361</u>	<u>33,304</u>	<u>67,616</u>	<u>31,618</u>
Taxes Due	339,298	750,319	2,391,153	705,560
Taxes Paid	338,786	749,270	2,387,905	703,808
Refunds (Current and Prior Year)	<u>512</u>	<u>1,049</u>	<u>3,248</u>	<u>1,752</u>
Due Districts or (Refund Due Sheriff) as of Completion of Fieldwork	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this financial statement.

WASHINGTON COUNTY  
TOMMY BARTLEY, SHERIFF  
SHERIFF'S SETTLEMENT - 2007 TAXES  
For the Period April 27, 2007 through April 21, 2008  
(Continued)

\* Commissions:

10% on	\$	10,000
4.25% on	\$	1,865,460
2.75% on	\$	2,458,769

WASHINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT

For the Period April 27, 2007 through April 21, 2008

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.



WASHINGTON COUNTY  
NOTES TO FINANCIAL STATEMENT  
For the Period April 27, 2007 through April 21, 2008  
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 21, 2008, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

Property Taxes

The real and personal property tax assessments were levied as of January 1, 2007. Property taxes were billed to finance governmental services for the year ended June 30, 2008. Liens are effective when the tax bills become delinquent. The collection period for these assessments was April 27, 2007 through April 21, 2008.

Note 4. Interest Income

The Washington County Sheriff earned \$1,564 as interest income on 2007 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder was used to operate the Sheriff's office. As of June 29, 2009, the Sheriff owed \$46 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Washington County Sheriff collected \$15,782 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office. As of June 29, 2009, the Sheriff owed \$15,782 in 10% add-on fees to his fee account.

Note 6. Advertising Costs And Fees

The Washington County Sheriff collected \$930 of advertising costs and \$1,185 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees were used to operate the Sheriff's office. As of June 29, 2009, the Sheriff owed \$930 in advertising costs to the county and \$1,185 in advertising fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable John A. Settles, Washington County Judge/Executive  
Honorable Tommy Bartley, Washington County Sheriff  
Members of the Washington County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Washington County Sheriff's Settlement - 2007 Taxes for the Period April 27, 2007 through April 21, 2008, and have issued our report thereon dated June 29, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Washington County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Washington County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Washington County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting which is a basis of accounting other than generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Washington County Sheriff's Settlement – 2007 Taxes for the period April 27, 2007 through April 21, 2008 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Washington County Sheriff's response to the finding identified in our audit is described in the accompanying comment and recommendation. We did not audit the Sheriff's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management and the Kentucky Department for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP

June 29, 2009

COMMENT AND RECOMMENDATION

WASHINGTON COUNTY  
TOMMY BARTLEY, SHERIFF  
COMMENT AND RECOMMENDATION

As of For the Period April 27, 2007 through April 21, 2008

INTERNAL CONTROL – SIGNIFICANT DEFICIENCY/MATERIAL WEAKNESS:

The Sheriff's Office Lacks Adequate Segregation Of Duties

During the course of our audit we noted that the Sheriff's office lacks adequate segregation of duties. Due to the entity's diversity of official operations, small staff size, and budget restrictions, the official has limited options for establishing adequate segregation of duties. We recommend the Sheriff consider implementing the following compensating controls to offset this internal weakness:

- Official could perform surprise cash counts.
- Official could recount and deposit cash
- Official could periodically agree daily tax collection totals to receipts ledger and deposit slip
- Official could agree monthly tax reports to receipts ledger and disbursements ledger
- Official could examine the monthly bank reconciliation.

If the Sheriff chooses to implement these compensating controls he should document the control procedures performed by initialing and dating documents reviewed.

*Sheriff's Response: None*

PRIOR YEAR:

The Sheriff's Office Lacks Adequate Segregation Of Duties  
This comment was repeated.

Computer Passwords Are Not Changed On A Regular Basis  
This finding has been corrected.

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